

**PX 184**

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**From:** Breanne Madigan <[REDACTED]@ripple.com>  
**Sent:** Tuesday, June 23, 2020 4:52 PM  
**To:** Brad Garlinghouse  
**Cc:** Ron Will  
**Subject:** XRP-O Supply - Proposed Solutions  
**Attachments:** XRP-O Supply - Ripple BuyBacks.pdf

Brad,

Thanks for reaching out today. We share concerns regarding new XRP supply in the market and will continue to explore ways we can counteract any negative impact. We've pulled together a few slides outlining our view on causes and proposed solutions / recommendations. We are also working with [REDACTED] to get her input tomorrow and will continue to iterate from here.

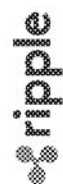
Please let me know if you would like to discuss further, and/or if we have your support to move forward with aligning internal stakeholders re: our short term recommendation, which is to buy back XRP directly from our market makers.

All my best,  
Breanne

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Breanne Madigan  
VP, Head of Global Institutional Markets  
[REDACTED]@ripple.com

# XRP-O Supply Concerns



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## Three Potential Narratives

1. **XRP supply, regardless of source, has similar market impact**
2. **XRP supply from Ripple**, possibly due to higher visibility, **has greater market impact**
3. **XRP supply from XRPO has the greatest market impact**, possibly due to higher visibility, lower natural liquidity and wider spreads

For the purposes of this presentation, **we will assume narrative 3** while we continue to investigate further.

## Executive Summary

- XRP began underperforming BTC since the BTC halving in early May - and underperformance has accelerated with the launch of XRP-O
- XRP selling via XRP-O has led to negative pressure on XRP
  - Since the launch of XRP-O on 5/25, more than \$24.5M of XRP sell orders was placed into the market without offsetting buy flow
  - Market participants are aware of XRP-O and the incremental supply, creating a negative perception
- Finance/Markets teams have been focused on a number of supply limiting tactics
- Markets team has also been focused on other utility initiatives
- **XRP-O Repurchasing** could directly dampen the effects of XRP-O selling

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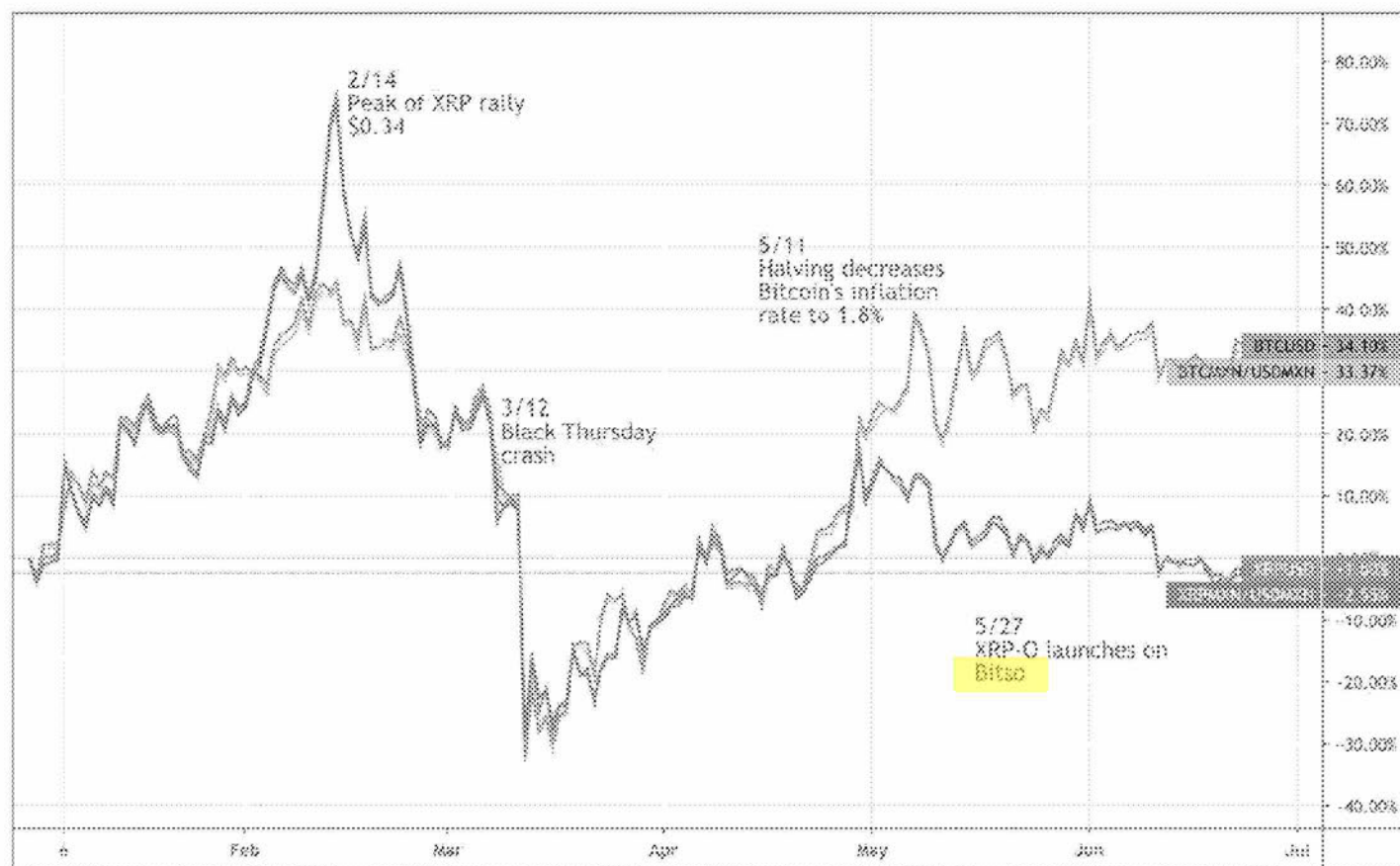
## XRP-O and its Effects

- **XRP-O** launched on May 25th with [REDACTED] and May 27th with [REDACTED]

Between May 25th and June 23rd

- **Over \$24.5M** of XRP-O has been executed
- Although the majority of the orders (\$20.3M) were on **Bitso**, Market Maker support was able to dampen the effects on XRP/MXN
- **However, there is evidence that XRP underperformance may be due to increased supply**

# XRP underperformance began in May, leading into BTC Halving



## Legend

XRP/USD on Bitstamp

XRP/MXN on Bitso

BTC/USD on Bitstamp

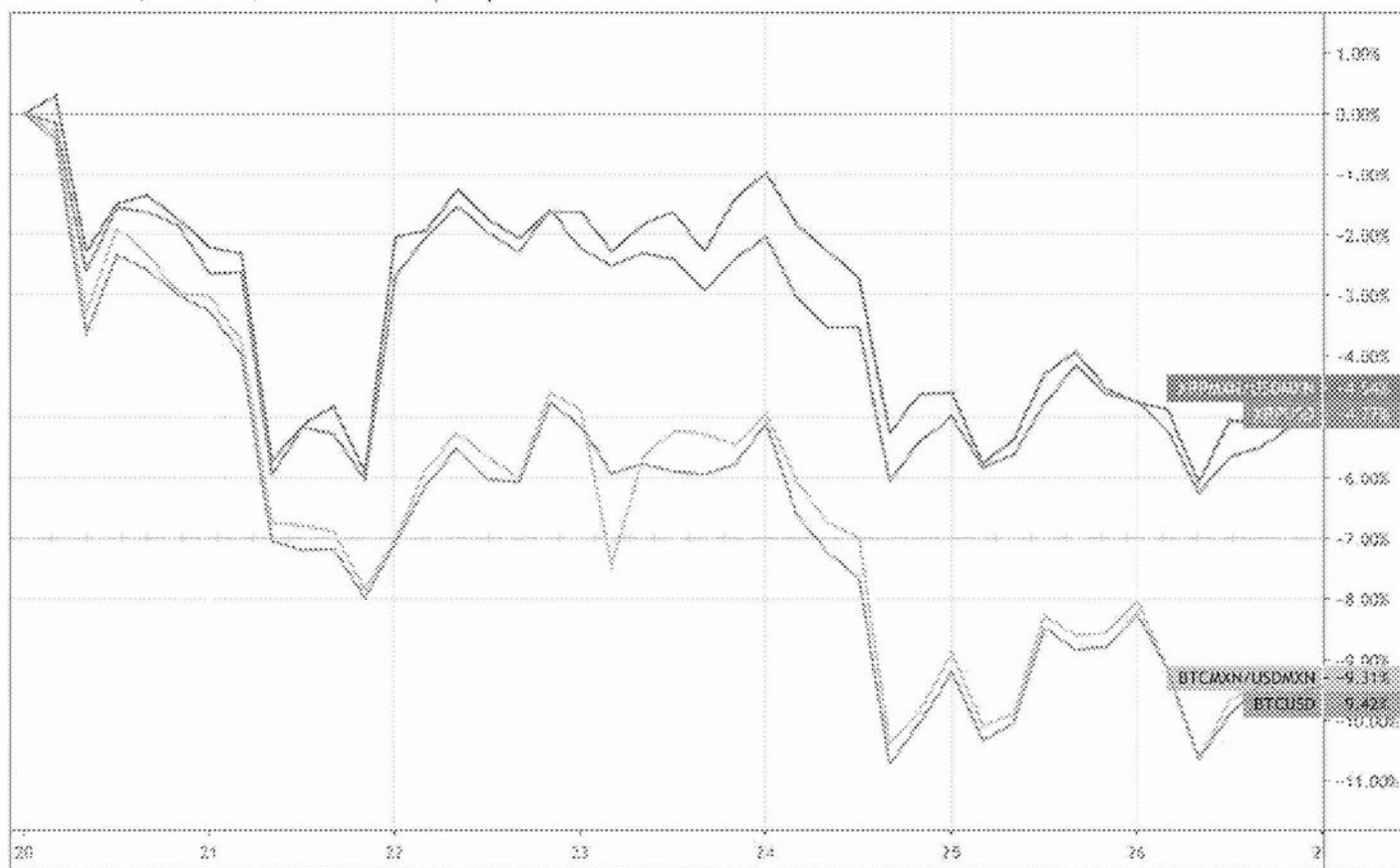
BTC/MXN on Bitso

**Note:** XRP/MXN and BTC/MXN returns were normalized by dividing by USD/MXN exchange rate

Chart of YTD returns from 1/1 - 6/23

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## Lead-up XRP-0: XRP outperformed vs BTC by 5% 5/20-5/27



### Legend

XRP/USD on Bitstamp

XRP/MXN on Bitso

BTC/USD on Bitstamp

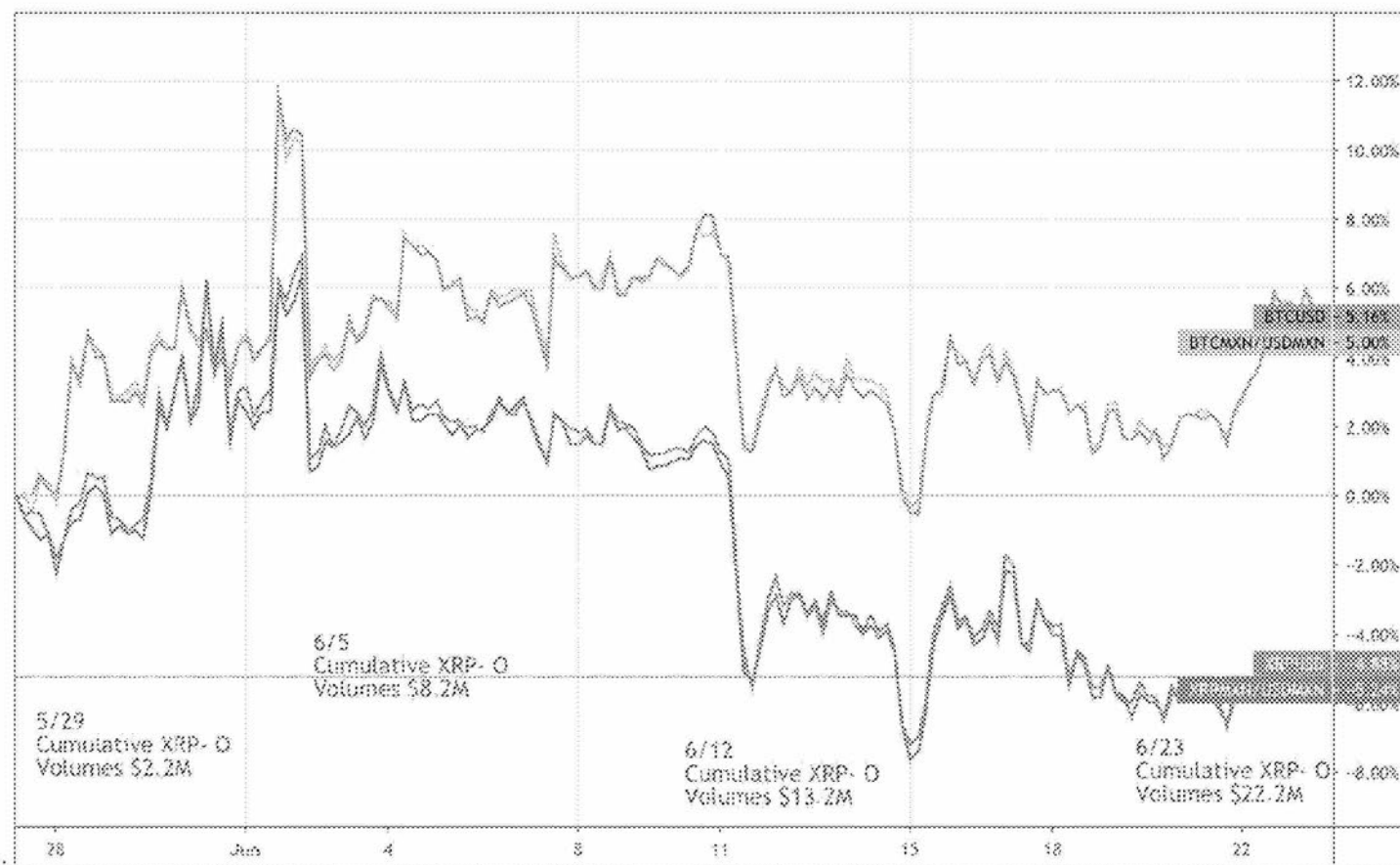
BTC/MXN on Bitso

**Note:** XRP/MXN and BTC/MXN returns were normalized by dividing by USD/MXN exchange rate

Chart of Cumulative returns from 5/20 - 5/27

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## Since 5/27 (XRP-O Bitso launch) XRP underperformed vs BTC by over 10%



### Legend

XRP/USD on Bitstamp

XRP/MXN on Bitso

BTC/USD on Bitstamp

BTC/MXN on Bitso

**Note:** XRP/MXN and BTC/MXN returns were normalized by dividing by USD/MXN exchange rate

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Chart of Cumulative returns from 5/27 - 6/23

## Current XRP Supply Reduction Tactics

- Reducing XRP supply introduced opportunistically - for example:
  - Ripple for Good
  - [REDACTED] ODL incentives

**PRO** - Reducing aggregate XRP supply to market

**CON** - These initiatives are not as visible to market players; more 'behind the scenes' - thus, for market participants watching screens, these efforts may not have as much of an impact on XRP performance as a direct re-purchase program would

## Potential Repurchase Initiative for XRP-O: OPTIONS

### Option A: Repurchase XRP via MMs on multiple exchanges with 1-3 month pilot

- Pro: daily purchase on programmatic basis, spread across market exchanges
- Con: Using operating budget; if spread across multiple exchanges, perhaps performance equilibrium benefits, but optics not as significant given XRP-O concentrated on Bitso

### Option B: Repurchase XRP directly from MMs with 1-3 month pilot

- Pro: Ripple saves MM from selling on the mkt; saves MM paying commissions to sell; avoids MM crossing spread to sell + then Ripple again crossing spread to buy
- Con: Using operating budget to purchase

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## Proposed Repurchase Initiative for XRP-O: OPTIONS

### Option C: Repurchase XRP on **BITSO** via MMs (CS), with 1-3 month pilot

- Pro: Addresses imbalance on the exchange where the XRP-O flow is most concentrated
- Con: Using operating budget to purchase; not diversifying w/ multiple exchanges; wider spreads and lower natural liquidity would make this more expensive

### Option D: Reduce XRPO volumes and divert/channel them to traditional ODL

- Pro: Aligns w/ supply market can currently absorb (approx 2m XRP/day, ~\$400k @ 0.20px)
- Con: Limits cash flow, places limits on customer XRPO flows and increased product complexity in switching from regular ODL to XRPO.

### Option E: Stop XRPO Altogether

- Pro: Reduced incremental XRP supply
- Con: Less responsive to requests from ODL customers re: quality of experience

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## Recommendation: XRP Buybacks and Limit XRP-O Supply

### Option B: Ripple buy XRP from MMs

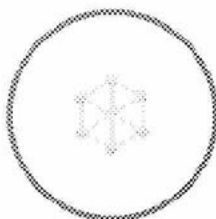
- Short Term Plan - Ripple buys back XRP from Market Makers
- Long Term Plan - Ripple works with Newco / develops in-house expertise

#### Considerations:

- Will require internal stakeholder alignment between legal, finance, and tax
- Purchasing would be on a daily programmatic basis, relative to XRP-O volumes
- Data team involvement to evaluate projected and real-time results
  - i.e. what % of total XRP-O do we intend to buy back?
  - i.e. what impact is Ripple purchasing having on market performance?

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# XRP Markets Utility Initiatives



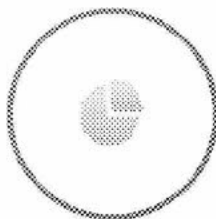
## XRP as Preferred Asset for Traders

- Preferred base pair initiative socialized with 20 top market participants
- **Binance** and **Liquid Exchange** open to expanding XRP pairs
- Next steps: 1-pager in final review, moving to partnership discussions next week



## XRP Infrastructure

- [REDACTED] announced XRP integration
- [REDACTED] to announce integration into DAPPI in the coming days
- [REDACTED] partnership proposal in support of XRP AM product



## Asset Management Initiative

- Identify and sign a contractor asset manager:
  - Multiple meetings with [REDACTED] reviewed our recommendations for changes to index and reasoning.
  - Research outreach continues; 4 institutions in process of being contacted.
  - Reviewed legal strategy and vetting law firms to support expedited timelines.
- Build robust narrative:
  - V1 narrative draft complete.
  - Introduced to [REDACTED] new (and first) marketing lead.
  - Next step is a meeting to discuss specifics around marketing strategy.

As of 18-Jun-2020

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## Other Initiatives Underway

- **Thought Leadership Content**
  - O1 Markets Report
  - Liquidity as lifeblood of ODL
  - XRP as a preferred base for arb traders
  - XRP for exchange transfers
  - Blockstars podcast

Customer testimonials around exchanges leveraging XRP:

- Bittrue Reaps the Rewards of Putting XRP at the Center of its Digital Assets Platform
- BTC Markets Drives Sustainable Growth of Its Exchange with XRP

- **XRP Supply analysis** here
- **XRP Inflation** - New inflation calc methodology to counter [REDACTED] others
  - New methodology recommendation determined
  - Next steps work with marketing/comms to refine narrative for go-live

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